

ELLSWORTH TOWNSHIP, LAKE COUNTY

LUTHER, MICHIGAN

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Ellsworth Township	County Lake
Audit Date 3/31/04	Opinion Date 6/9/04	Date Accountant Report Submitted to State: 9/27/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date 9/27/04

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

MARCH 31, 2004

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ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

MARCH 31, 2004

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M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

Baird, Cotter and Bishop, P.C.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

June 9, 2004

INDEPENDENT AUDITORS' REPORT

To the Township Board
Ellsworth Township
Lake County
Luther, Michigan

We have audited the accompanying general-purpose financial statements of Ellsworth Township, Lake County, Luther, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Township. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I.B, the township's policy is to prepare its general-purpose financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances and investment in General Fixed Assets of Ellsworth Township, Lake County, Luther, Michigan as of March 31, 2004, and the cash receipts it received and cash disbursements it paid for the year then ended on the basis of accounting described in Note I.B.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as "Financial Statements of Individual Funds" and "Other Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements, and in our opinion, it is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

COMBINED STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND ACCOUNT GROUP

MARCH 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
<u>ASSETS</u>		
Cash		
Money Market Account	\$ 124,792	\$ 4,750
Certificates of Deposit	31,175	0
Taxes Receivable	9,799	0
Due from Other Funds	0	6,798
Land and Buildings	0	0
Machinery and Equipment	0	0
Furniture and Fixtures	0	0
TOTAL ASSETS	<u>\$ 165,766</u>	<u>\$ 11,548</u>
<u>LIABILITIES, BALANCE AND OTHER CREDITS</u>		
<u>LIABILITIES</u>		
Deferred Revenue	\$ 9,799	\$ 0
Payroll Withholdings	147	0
Due to Other Funds	2,170	4,628
Total Liabilities	<u>\$ 12,116</u>	<u>\$ 4,628</u>
<u>BALANCE AND OTHER CREDITS</u>		
Investment in General Fixed Assets	\$ 0	\$ 0
Balance		
Reserved for:		
Cemetery Perpetual Care	0	0
Endowments	0	0
Unreserved		
Designated for Fire and Fire Equipment	0	6,920
Undesignated	153,650	0
Total Balance and Other Credits	<u>\$ 153,650</u>	<u>\$ 6,920</u>
TOTAL LIABILITIES, BALANCE AND OTHER CREDITS	<u>\$ 165,766</u>	<u>\$ 11,548</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT A

FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
TRUST AND AGENCY	GENERAL FIXED ASSETS	
\$ 0	\$ 0	\$ 129,542
2,264	0	33,439
0	0	9,799
0	0	6,798
0	54,989	54,989
0	9,728	9,728
0	13,248	13,248
<u>\$ 2,264</u>	<u>\$ 77,965</u>	<u>\$ 257,543</u>
 \$ 0	 \$ 0	 \$ 9,799
0	0	147
0	0	6,798
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,744</u>
 \$ 0	 \$ 77,965	 \$ 77,965
264	0	264
2,000	0	2,000
0	0	6,920
0	0	153,650
<u>\$ 2,264</u>	<u>\$ 77,965</u>	<u>\$ 240,799</u>
<u>\$ 2,264</u>	<u>\$ 77,965</u>	<u>\$ 257,543</u>

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED MARCH 31, 2004

	GOVERNMENTAL FUND TYPES		TOTALS
	GENERAL	SPECIAL REVENUE	(MEMORANDUM ONLY)
<u>RECEIPTS</u>			
Taxes	\$ 21,331	\$ 48,819	\$ 70,150
State Grants	51,831	0	51,831
Charges for Services	2,697	0	2,697
Interest and Rents	419	50	469
Other Receipts	1,787	0	1,787
Total Receipts	\$ 78,065	\$ 48,869	\$ 126,934
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 4,585	\$ 0	\$ 4,585
General Government			
Supervisor	7,228	0	7,228
Election	1,756	0	1,756
Assessor	12,752	0	12,752
Clerk	7,256	0	7,256
Board of Review	666	0	666
Treasurer	11,260	0	11,260
Building and Grounds	2,418	0	2,418
Cemetery	4,076	0	4,076
Public Safety	0	49,677	49,677
Public Works	2,000	0	2,000
Other Functions	7,574	0	7,574
Total Disbursements	\$ 61,571	\$ 49,677	\$ 111,248
Excess of Receipts Over (Under) Disbursements	\$ 16,494	\$ (808)	\$ 15,686
<u>BALANCE</u> - April 1, 2003	137,156	7,728	144,884
<u>BALANCE</u> - March 31, 2004	\$ 153,650	\$ 6,920	\$ 160,570

The accompanying notes are an integral part of these financial statements.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes	\$ 18,373	\$ 21,331	\$ 2,958
State Grants	25,000	51,831	26,831
Charges for Services	0	2,697	2,697
Interest and Rents	1,100	419	(681)
Other Receipts	6,001	1,787	(4,214)
Total Receipts	\$ 50,474	\$ 78,065	\$ 27,591
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 14,885	\$ 4,585	\$ 10,300
General Government			
Supervisor	10,256	7,228	3,028
Election	4,200	1,756	2,444
Assessor	16,250	12,752	3,498
Clerk	10,660	7,256	3,404
Board of Review	1,400	666	734
Treasurer	12,652	11,260	1,392
Building and Grounds	4,800	2,418	2,382
Cemetery	9,100	4,076	5,024
Public Safety	23,000	0	23,000
Public Works	3,000	2,000	1,000
Recreation and Cultural	2,500	0	2,500
Other Functions	13,500	7,574	5,926
Contingency	36,587	0	36,587
Total Disbursements	\$ 162,790	\$ 61,571	\$ 101,219
Excess of Receipts Over (Under) Disbursements	\$ (112,316)	\$ 16,494	\$ 128,810
<u>BALANCE - April 1, 2003</u>	114,189	137,156	22,967
<u>BALANCE - March 31, 2004</u>	\$ 1,873	\$ 153,650	\$ 151,777

The accompanying notes are an integral part of these financial statements.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
NONEXPENDABLE CEMETERY TRUST FUND

FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Interest Earnings

\$ 56

DISBURSEMENTS

0

Excess of Receipts Over Disbursements

\$ 56

BALANCE - April 1, 2003

2,208

BALANCE - March 31, 2004

\$ 2,264

The accompanying notes are an integral part of these financial statements.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

STATEMENT OF CASH FLOWS
NONEXPENDABLE CEMETERY TRUST FUND

FOR THE YEAR ENDED MARCH 31, 2004

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Investing Activities

Interest Earnings

\$ 56

CASH AND CASH EQUIVALENTS - April 1, 2003

2,208

CASH AND CASH EQUIVALENTS - March 31, 2004

\$ 2,264

The accompanying notes are an integral part of these financial statements.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Ellsworth Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Township has no long-term debts which would be recorded in the general long-term debt group of accounts.

The Township has the following fund types and account group:

Governmental funds are used to account for the Township's general government activities. The Township uses the flow of economic resources measurement focus and the modified cash basis of accounting for these funds which is an other comprehensive basis of accounting (OCBOA). Under the modified cash basis of accounting, receipts are recognized when collected (i.e., when cash is received). Disbursements are recorded when cash is disbursed.

Governmental funds include the following fund types:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

The Special Revenue Funds are used to account for the proceeds of specific receipts sources (other than special assessments, or major capital projects) that are legally restricted to disbursements for specified purposes.

Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others.

The Current Tax Collection Fund is an agency fund and is custodial in nature. It does not present results of operation or have a measurement focus. The agency fund also uses the modified cash basis of accounting. This fund is used to account for property tax collections which the township makes and distributes for others in an agency capacity.

The Cemetery Trust Fund is a nonexpendable trust fund. Nonexpendable trust funds account for assets of which the principal may not be spent. This fund is used to account for money left to the township for cemetery perpetual care.

Account Group. The General Fixed Assets Account Group is used to account for fixed assets of the Township.

C. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township has authorized the Treasurer to invest funds as follows:

- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
- (c) In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

- (d) In repurchase agreements consisting of instruments listed in subdivision (a).
- (e) In bankers' acceptances of United States banks.
- (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) In investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.11 to 129.118.
- (j) In the investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

- (II) A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- (III) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
- (IV) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

2. Receivables and Payables

Under the modified cash basis of accounting, the only noncash asset recorded is a receivable for uncollected property taxes. This receivable is entirely offset by a deferred revenue liability account so that income is only recognized when cash is received. The only other assets and liabilities are for unremitted payroll withholdings and amounts owed to and from other funds.

3. Fixed Assets

Fixed assets used in governmental fund types (general fixed assets) are accounted for in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account group.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

4. Fund Equity

Reservations of balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of balance represent tentative management plans that are subject to change.

5. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

6. Use of Estimates

This presentation of financial statements on the modified cash basis of accounting requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budgets are adopted on the modified cash basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on March 24, 2003, or as amended by the Township Board from time to time throughout the year.

The appropriated budgets are prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At year-end, the carrying amount of the Township's deposits was \$162,981 and the bank balance was \$257,846, of which \$232,473 was covered by federal depository insurance and \$25,373 was uninsured and uncollateralized.

The Township's carrying amounts of deposits at year-end are shown below:

	GENERAL FUND	FIRE FUND	FIRE EQUIPMENT FUND	CURRENT TAX COLLECTION FUND	CEMETERY TRUST FUND
Lake Osceola State Bank					
Luther, Michigan					
Money Market Account	\$ 124,792	\$ 4,645	\$ 105	\$ 0	\$ 0
Certificates of Deposit	0	0	0	0	2,264
Citizens Bank					
Cadillac, Michigan					
Certificate of Deposit	31,175	0	0	0	0
TOTAL	<u>\$ 155,967</u>	<u>\$ 4,645</u>	<u>\$ 105</u>	<u>\$ 0</u>	<u>\$ 2,264</u>

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

B. Fixed Assets

Activity in the general fixed assets account group for the township for the year ended March 31, 2004, was as follows:

	BALANCE 4/1/03	ADDITIONS	DELETIONS	BALANCE 3/31/04
Land and Buildings	\$ 54,989	\$ 0	\$ 0	\$ 54,989
Machinery and Equipment	9,728	0	0	9,728
Furniture and Fixtures	13,248	0	0	13,248
TOTAL	\$ 77,965	\$ 0	\$ 0	\$ 77,965

C. Property Tax Administration Fee

The Township passed a resolution on July 14, 1983, to charge a 1% administration fee on all ad valorem taxes levied after this date. Also, a late penalty fee of 3% shall be added after February 14th and shall terminate on the last day of February. The resolution is to continue in force and effect until revoked by the Township board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

D. Fire Funds

There are no taxes receivable or deferred revenue reflected in the fire funds because the township paid the fire funds the entire amount of the 2003 tax levy and the township, therefore, will keep all delinquent tax paid off by the county.

E. Cemetery Trust Fund

The Cemetery Trust Fund was established when \$2,000 was donated to the Township for perpetual care. Only the interest earnings on this amount can be used for cemetery upkeep.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

IV. OTHER INFORMATION

A. Property Taxes

The Township levied 0.8802 mills for general operating purposes on a taxable value of \$15,494,956. In addition, the Township levied 2.1837 mills for fire operations and 0.9680 mills for fire equipment.

Properties are assessed January 1, and the related property taxes become a lien on December 1 of the same year. Taxes are due and payable to the township treasurer on or before February 28. After February 28, the property taxes are payable to the Lake County Treasurer. Property taxes levied December 1 which are collected prior to the end of the fiscal year are recognized as income in the year in which they are levied. The Township's portion of delinquent property taxes receivable is recognized as an asset. The taxes receivable are also recorded as deferred revenue and the tax collections are recorded as cash receipts when collected.

B. Interest Income and Expense

For the year ended March 31, 2004, interest income and expense is summarized as follows:

	INTEREST	
	INCOME	EXPENSE
General Fund	\$ 419	\$ 0
Fire Fund	28	0
Fire Equipment Fund	22	0
Cemetery Trust Fund	56	0
	<u>\$ 525</u>	<u>\$ 0</u>

Note - Interest income earned in the Current Tax Collection Fund is periodically transferred to the General Fund and is shown as General Fund interest income.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

C. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions, and worker's compensation insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continued to carry insurance for other risks of loss, including fidelity bonds.

D. Joint Fire District

The Township is a member of the Luther Fire District #1. The Fire District is a joint venture of Ellsworth and Newkirk Townships created to provide fire protection for the member townships. As stated in Note IV.A, Ellsworth Township levied 2.1837 mills to support the Fire District. The following financial information was taken from the Fire District's March 31, 2003, audited financial statements:

Total Assets (excluding fixed assets)	\$ 29,908
Investment in Fixed Assets	774,432
Total Equity	804,340
Total Receipts	119,231
Total Disbursements	185,817
Loan Proceeds	79,706
Net Increase (Decrease) in Fund Equity	13,120

A copy of these audited financial statements may be obtained upon request from the Fire District Treasurer.

E. Retirement Plan

The Township has a defined contribution pension plan with Manufacturers Life Insurance Company which covers all full-time employees. The annual contribution is 10% of full-time employee's compensation of which 5% is paid by the Township and 5% by the official. The Township's 2003-2004 contribution amounted to \$1,668 and participants contributed \$1,668. In addition, the Township paid \$389 in charges and participant fees.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

To participate in the plan, an individual must be at least 18 years of age. Benefits attributable to the Township are vested in the participant's immediately.

Normal retirement age under the plan is 65 or, if later, completion of 10 years of participation in the Plan.

For purposes of this plan, compensation means the basic annual rate of compensation in effect at the beginning of each plan year. For the 2003-2004 year, covered compensation was \$33,360 and total of all wages including noncovered wages was \$37,773.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

GENERAL FUND
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS

Cash	
Money Market Account	\$ 124,792
Certificate of Deposit	31,175
Taxes Receivable	9,799
	<hr/>
TOTAL ASSETS	\$ <u>165,766</u>

LIABILITIES AND BALANCE

LIABILITIES

Deferred Revenue	\$ 9,799
Payroll Withholdings	147
Due to Fire Equipment Fund	2,170
	<hr/>
Total Liabilities	\$ 12,116

BALANCE

Unreserved	153,650
	<hr/>
TOTAL LIABILITIES AND BALANCE	\$ <u>165,766</u>

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes	\$ 18,373	\$ 21,331	\$ 2,958
State Grants	25,000	51,831	26,831
Charges for Services	0	2,697	2,697
Interest and Rents	1,100	419	(681)
Other Receipts	6,001	1,787	(4,214)
Total Receipts	\$ 50,474	\$ 78,065	\$ 27,591
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 14,885	\$ 4,585	\$ 10,300
General Government			
Supervisor	10,256	7,228	3,028
Election	4,200	1,756	2,444
Assessor	16,250	12,752	3,498
Clerk	10,660	7,256	3,404
Board of Review	1,400	666	734
Treasurer	12,652	11,260	1,392
Building and Grounds	4,800	2,418	2,382
Cemetery	9,100	4,076	5,024
Public Safety	23,000	0	23,000
Public Works	3,000	2,000	1,000
Recreation and Cultural	2,500	0	2,500
Other Functions	13,500	7,574	5,926
Contingency	36,587	0	36,587
Total Disbursements	\$ 162,790	\$ 61,571	\$ 101,219
Excess of Receipts Over (Under) Disbursements	\$ (112,316)	\$ 16,494	\$ 128,810
<u>BALANCE - April 1, 2003</u>	114,189	137,156	22,967
<u>BALANCE - March 31, 2004</u>	\$ 1,873	\$ 153,650	\$ 151,777

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

GENERAL FUND
ANALYSIS OF CASH RECEIPTS

FOR THE YEAR ENDED MARCH 31, 2004

TAXES

Current Property Taxes	\$	3,835
Delinquent Property Tax		10,557
Property Tax Administration Fee		4,948
Payment in Lieu of Taxes - Swamp Tax		1,873
Late Payment Penalties		118
		118

Total Taxes

\$ 21,331

STATE GRANTS

State Revenue Sharing
Sales and Use Tax

51,831

CHARGES FOR SERVICES

Cemetery Lot Sales and Burial Fees	\$	300
Summer Tax Collection Fee		2,397
		2,397

2,697

INTEREST AND RENTS

Interest Earnings

419

OTHER RECEIPTS

Overpayment from Tax Collection Fund	\$	1,782
Miscellaneous		5
		5

Total Other Receipts

1,787

TOTAL CASH RECEIPTS

\$ 78,065

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

GENERAL FUND
ANALYSIS OF CASH DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages

\$ 1,600

Other Services and Charges

Professional Services - Clean-up Day

2,167

Dues and Fees

329

Printing and Publishing

356

Miscellaneous

133

Total Legislative

\$ 4,585

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages

\$ 6,750

Supplies

Office Supplies

368

Other Services and Charges

Travel

110

Total Supervisor

\$ 7,228

Elections

Personal Services

Salaries and Wages

\$ 1,605

Other Services and Charges

Travel

114

Miscellaneous

37

Total Elections

1,756

Assessor

Personal Services

Salaries and Wages

\$ 12,250

Supplies

Office Supplies

370

Other Services and Charges

Miscellaneous

132

Total Assessor

12,752

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

GENERAL FUND
ANALYSIS OF CASH DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

Clerk			
Personal Services			
Salaries and Wages	\$	6,750	
Supplies			
Office Supplies		312	
Other Services and Charges			
Travel		194	
Total Clerk			7,256
Board of Review			
Personal Services			
Salaries and Wages	\$	504	
Supplies			
Office Supplies		60	
Other Services and Charges			
Miscellaneous		38	
Travel		64	
Total Board of Review			666
Treasurer			
Personal Services			
Salaries and Wages	\$	7,950	
Deputy		125	
Supplies			
Office Supplies		831	
Other Services and Charges			
Contracted Services		1,598	
Travel		155	
Miscellaneous		601	
Total Treasurer			11,260

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

GENERAL FUND
ANALYSIS OF CASH DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

Building and Grounds			
Other Services and Charges			
Communications	\$	1,216	
Public Utilities		794	
Repairs and Maintenance		<u>408</u>	
Total Building and Grounds			2,418
Cemetery			
Personal Services			
Salaries and Wages	\$	1,845	
Other Services and Charges			
Contracted Services		386	
Repairs and Maintenance		<u>1,845</u>	
Total Cemetery			<u>4,076</u>
Total General Government			47,412
<u>PUBLIC WORKS</u>			
Highways, Streets and Bridges			
Other Services and Charges			
Contracted Services			2,000
<u>OTHER FUNCTIONS</u>			
Insurance and Bonds			
Employee Benefits	\$	4,456	
Pension Contribution	\$	2,057	
Medicare and Social Security		311	
Workers' Compensation		<u>750</u>	
Total Employee Benefits			<u>3,118</u>
Total Other Functions			<u>7,574</u>
TOTAL CASH DISBURSEMENTS			<u>\$ 61,571</u>

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINED STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

<u>ASSETS</u>	<u>FIRE</u>	<u>FIRE EQUIPMENT</u>	<u>TOTAL</u>
Cash			
Money Market Account	\$ 4,645	\$ 105	\$ 4,750
Due from Other Funds	0	6,798	6,798
 TOTAL ASSETS	 \$ 4,645	 \$ 6,903	 \$ 11,548
 <u>LIABILITIES AND BALANCE</u>			
<u>LIABILITIES</u>			
Due to Other Funds	\$ 4,628	\$ 0	\$ 4,628
 <u>BALANCE</u>			
Unreserved			
Designated for Fire and Fire Equipment	17	6,903	6,920
 TOTAL LIABILITIES AND BALANCE	 \$ 4,645	 \$ 6,903	 \$ 11,548

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

<u>RECEIPTS</u>	<u>FIRE</u>	<u>FIRE EQUIPMENT</u>	<u>TOTAL</u>
Taxes	\$ 33,825	\$ 14,994	\$ 48,819
Interest	28	22	50
Total Receipts	\$ 33,853	\$ 15,016	\$ 48,869
<u>DISBURSEMENTS</u>			
Public Safety			
Fire Protection	33,836	15,841	49,677
Excess of Receipts Over (Under) Disbursements	\$ 17	\$ (825)	\$ (808)
<u>BALANCE - April 1, 2003</u>	0	7,728	7,728
<u>BALANCE - March 31, 2004</u>	\$ 17	\$ 6,903	\$ 6,920

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

TRUST AND AGENCY FUNDS

COMBINING STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

	AGENCY FUND	NONEXPENDABLE TRUST	
	CURRENT TAX COLLECTION	CEMETERY TRUST FUND	TOTAL
<u>ASSETS</u>			
Cash			
Certificate of Deposit	\$ 0	\$ 2,264	\$ 2,264
<u>BALANCE</u>			
Reserved for:			
Cemetery Perpetual Care	\$ 0	\$ 264	\$ 264
Endowments	0	2,000	2,000
Total Balance	\$ 0	\$ 2,264	\$ 2,264

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

CURRENT TAX COLLECTION FUND
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS

Cash

\$ 0

BALANCE

Unreserved

\$ 0

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Current Tax Collections	\$ 495,779	
Delinquent Tax Collection	207	
Property Tax Administration Fee	4,948	
Late Payment Penalty	118	
Commercial Forest	88	
Summer Tax Collection Fee	2,397	
Overcollections from Taxpayers	655	
Total Receipts	<u>655</u>	\$ 504,192

DISBURSEMENTS

Payments to County Treasurer			
Current Tax	\$ 146,119		
Current Tax - State Education Tax	69,504		
Commercial Forest	88		
Delinquent Tax	49	\$ 215,760	
Payments to Township Treasurer			
Current Tax	\$ 52,654		
Delinquent Tax	2,249		
Overpayments	1,782		
Late Payment Penalty	118		
Property Tax Administration Fee	4,948		
Summer Tax Collection Fee	2,397	64,148	
Payments to School Treasurer			
Pine River Area Schools			
Current Tax	\$ 146,772		
Delinquent Tax	60	146,832	
Payments to Intermediate School District			
Wexford-Missaukee			
Current Tax	\$ 78,357		
Delinquent Tax	17	78,374	
Refund to Taxpayers for Overcollections		876	
Supplies		370	
Total Disbursements		<u>506,360</u>	
Excess of Receipts Over (Under) Disbursements		\$ (2,168)	
<u>BALANCE - April 1, 2003</u>		<u>2,168</u>	
<u>BALANCE - March 31, 2004</u>		<u>\$ 0</u>	

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

CEMETERY TRUST FUND
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS

Cash	
Certificate of Deposit	\$ <u>2,264</u>

BALANCE

Reserved for:	
Cemetery Perpetual Care	\$ 264
Endowments	<u>2,000</u>
TOTAL BALANCE	\$ <u>2,264</u>

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

CEMETERY TRUST FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Interest Earnings

\$ 56

DISBURSEMENTS

0

Excess of Receipts Over Disbursements

\$ 56

BALANCE - April 1, 2003

2,208

BALANCE - March 31, 2004

\$ 2,264

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

CEMETERY TRUST FUND
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2004

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Investing Activities

Interest Earnings

\$ 56

CASH AND CASH EQUIVALENTS - April 1, 2003

2,208

CASH AND CASH EQUIVALENTS - March 31, 2004

\$ 2,264

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

GENERAL FIXED ASSETS GROUP OF ACCOUNTS
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

FOR THE YEAR ENDED MARCH 31, 2004

	BALANCE 4/01/03	ADDITIONS	DELETIONS	BALANCE 3/31/04
<u>GENERAL FIXED ASSETS</u>				
Land and Buildings	\$ 54,989	\$ 0	\$ 0	\$ 54,989
Machinery and Equipment	9,728	0	0	9,728
Furniture and Fixtures	13,248	0	0	13,248
	<u>\$ 77,965</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 77,965</u>
<u>INVESTMENT IN GENERAL FIXED ASSETS</u>	<u>\$ 77,965</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 77,965</u>

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

STATEMENT OF 2003 TAX ROLL
MARCH 31, 2004

TAXES ASSESSED

County	\$	176,163	
County - State Education Tax		77,473	
Township		62,453	
School			
Pine River Area Schools		167,571	
Intermediate School			
Wexford-Missaukee		<u>92,958</u>	\$ 576,618

TAXES COLLECTED

County	\$	148,492	
County - State Education Tax		69,504	
Township		52,654	
School			
Pine River Area Schools		146,772	
Intermediate School			
Wexford-Missaukee		<u>78,357</u>	<u>495,779</u>

TAXES RETURNED DELINQUENT

County	\$	27,671	
County - State Education Tax		7,969	
Township		9,799	
School			
Pine River Area Schools		20,799	
Intermediate School			
Wexford-Missaukee		<u>14,601</u>	\$ <u><u>80,839</u></u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

June 9, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Ellsworth Township
Lake County
Luther, Michigan

During the course of our audit of the general-purpose financial statements of Ellsworth Township for the year ended March 31, 2004, we noted the following items:

GASB 34

The Governmental Accounting Board has issued statement number 34 which significantly changes the financial statement presentation for governmental entities following accounting principles generally accepted in the United States of America. We will assist the Township in determining the effect of GASB 34 on its financial statements when the implementation date of March 31, 2005, draws nearer.

Property Tax Administration Fee

As reported in the Notes to Financial Statements, the Township is charging a 1% property tax administration fee. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

Condition of Accounting Records

We found the condition of the accounting records of the Township to be in poor condition at the time of the audit. We determined the cause of this to be the many errors related to the treasurer recording and depositing receipts. We found receipts made out with the wrong name, deposited to the wrong account, and classified incorrectly on the Township records. We incurred additional time on the audit due to tracing these errors through the Township records and correcting them.

Accounting for Extra Voted Millages

The Township has two extra voted millages that are required to be accounted for separately. The Township did set up separate bank accounts for these monies, which is a good idea, but did not correctly account for the transactions. We were required to back track to the last audited figures and re-create the transactions and balances in order to reconcile to the actual mills levied and received as well as the disbursements paid from these funds. This tracing of transactions over a two-year period created extra time on the audit.

Tax Collection Fund

Many errors existed in the tax collection fund. We found that tax collections were deposited into the general fund in error; also, general fund receipts were deposited to the tax collection fund in error. The settlement with the County was wrong, as the County has been underpaid and the Township overpaid. Neither the Township Treasurer nor the Lake County Treasurer's office was aware of this problem until we notified them each on June 9th 2004. We also were not able to account for approximately \$221 in the tax collection fund. The following schedule reconciles the year end balance at March 31, 2004:

Book Balance at March 31, 2004		\$	0
Lake County Underpaid			2,373
General Fund Overpaid	\$	1782	
Add: Postage paid from Tax Collection Fund		370	2,152
Unknown		\$	<u>221</u>

Computerization of Accounting Records

We recommend the Township give consideration to computerizing the general ledger of the Township. We believe doing this would ultimately save time and reduce the number of recordkeeping errors. We have discussed this with the Clerk and Treasurer and are available to assist in this endeavor if requested.

Correspondence with Internal Revenue Service

During the year we provided extensive assistance to the Township Clerk related to corresponding with the Internal Revenue Service related to payroll tax returns and W-2's. We have trained the Clerk in the proper payroll tax reporting procedure and believe these errors will not occur in the future.

We would like to thank the board for its continued confidence in our firm and thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

Baird, Cotter and Bishop, P.C.

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MICHAEL D. COOL, C.P.A.

June 9, 2004

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Ellsworth Township
Lake County
Luther, Michigan

In planning and performing our audit of the general-purpose financial statements of Ellsworth Township, Lake County, Luther, Michigan for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.